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FM AMEMBASSY CARACAS
TO RUEHC/SECSTATE WASHDC PRIORITY 1624
INFO RUEHBO/AMEMBASSY BOGOTA 7842
RUEHLP/AMEMBASSY LA PAZ AUG LIMA 1075
RUEHQT/AMEMBASSY QUITO 2889
RUEHMD/AMEMBASSY MADRID 3229
RHEHNSC/NSC WASHDC
RUMIAAA/HQ USSOUTHCOM MIAMI FL
RUCPDOG/DEPT OF COMMERCE
RUEATRS/DEPT OF TREASURY

C O N F I D E N T I A L CARACAS 001135

SIPDIS

HQ SOUTHCOM ALSO FOR POLAD
TREASURY FOR MEWENS
NSC FOR JSHRIER
COMMERCE FOR 4431/MAC/WH/MCAMERON

E.O. 12958: DECL: 08/13/2018

TAGS: [ECON](#) [EFIN](#) [VE](#)

SUBJECT: BANCO DE VENEZUELA EXECUTIVE EXPECTS RAPID CLOSE
TO NATIONALIZATION NEGOTIATIONS

REF: A. CARACAS 1061
[1](#)B. CARACAS 647

Classified By: Economic Counselor Darnall Steuart for reasons 1.4 (b) a
nd (d).

[1](#)1. (C) Banco de Venezuela (BdV) Vicepresident and Chief Economist Milton Guzman (strictly protect throughout) shared with EconCouns on August 12 his expectation that the BRV's nationalization of BdV, announced by President Chavez July 31 (ref A), would be completed in three to six weeks. "The government is in a big hurry," Guzman claimed, noting the BRV had made an offer to the head of Grupo Santander's regional division during his visit to Caracas the preceding week. The BRV's negotiating team was being led by Vice President Ramon Carrizales and Finance Minister Ali Rodriguez, Guzman stated, and included Margarita Gracia, managing director of the BRV's development bank Bandes. Guzman speculated the two sides would agree on a price of approximately USD 1.3 billion, of which USD 300 million would be compensation for a commitment by Grupo Santander to maintain BdV's technological platform for three years.

[1](#)2. (C) Guzman said that through August 11 BdV depositors had withdrawn 2 billion bolivars (Bs), less than the Bs 3.6 billion BdV had predicted would be withdrawn in the first two weeks after Chavez' announcement. (Note: Bs 2 billion, or USD 930 million at the official exchange rate, represents 10 percent of deposits at BdV as of June 30, 2008. End note.) According to Guzman, some of BdV's corporate clients were considering staying with BdV for the short term in the hopes that their affiliation with a state bank would help them acquire dollars from CADIVI, the BRV's foreign exchange control authority (ref B). Guzman expected many of these companies to terminate their relationship with BdV relatively soon, as the BRV, once it took operational control, would have access to information about these companies' positions in dollars (which they provide to BdV as part of the import process).

[1](#)3. (C) Guzman stated that "ninety percent" of the top two tiers of management at BdV planned to leave when or before the BRV took over the bank. He expected that most middle management would seek to stay, given their more limited options in Venezuela and the benefits they had vested in working at BdV. (Note: Per Guzman, BdV currently has a total of 4560 employees. End note.) Guzman speculated that

the reason for the BRV's hurry to complete the nationalization was its desire to use BdV as a "channel" for directing funds to states and municipalities in advance of the November regional elections. In the medium term, he continued, the BRV would likely transfer government deposits to BdV (causing liquidity and solvency problems at some smaller and medium-sized banks that currently have high concentrations of government deposits). As for BdV's new leadership, Guzman said the rumors were that one or more previous finance minister (e.g., Tobias Nobrega, Nelson Merentes, and/or Rodrigo Cabezas) would be offered seats on the board and that Jose Rojas, currently appointed by Venezuela as an Executive Director at the IMF, was a leading candidate for BdV president.

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